

# A Win-Win for Consumers and Professionals Alike: An Alternative to Occupational Licensing

*Summary*



Christina Sandefur, JD  
GOLDWATER INSTITUTE

Byron Schlomach, PhD  
1889 INSTITUTE

Murray Feldstein, MD  
GOLDWATER INSTITUTE



1889 INSTITUTE

This paper proposes a model that allows private certification as a substitute for occupational licensing. Government licensing provides a way for entrenched interests inside a regulated industry to maintain their corner on the market, but private certification creates competition between professional associations based on the quality of their credentials. This is a win for professionals, potential professionals, and especially for consumers. The model would not repeal any existing occupational license statute. Instead it allows private credentialing organizations to provide a second point of entry into the licensed field.

Government licensing, almost without exception, is a chance for current service providers to regulate themselves and make it difficult for new professionals to join the field, ensuring artificially high prices for licensed services to the detriment of consumers. Licensing boards keep out skilled competitors who have the ability to undercut existing prices. Private certification entities, on the other hand, will want to certify as many dues-paying members as possible - as long as they are well-qualified, since if they certify incompetent professionals, their certification will become worthless in the eyes of consumers and practitioners, and another certifying entity will replace them.

The paper:

#### **Acknowledges and explains the need for credentialing.**

- Consumers want and need short-hand information that credentialing provides - that is, they want to know who to hire, and who to avoid.
- Professionals want and need a way to show consumers that they provide high-quality service.

#### **Briefly describes the drawbacks of occupational licensing.**

- Quality too-often goes unenforced - since the licensing board is usually made up of practitioners of the regulated industry, they can easily protect their business interests by keeping out new competitors. The free market will eventually weed out the few bad actors who slip by.

- Consumers pay higher prices. Low-end estimates start at \$1000 per household per year as a national average. However, Oklahoma's Licensing laws are considerably more onerous than average.
- Economic opportunity is forestalled - qualified practitioners who are dissuaded by the hassle of obtaining a license spend their energy on jobs they are less-suited to, making for inefficiency.

#### **Unpacks the concept of private certification, and shows how it could be enhanced with fraud protection in exchange for consumer-friendly transparency.**

- Private certifying organizations would register with the state and certify according to their criteria.
- Participating organizations and individuals certified by them would have to be highly transparent to consumers regarding their credentials and independence from government regulation.
- Rather than being forced to litigate if a credential is falsely claimed, participating organizations could submit the fraudsters to the state for criminal prosecution.

#### **Explains why concerns regarding private certification's application to the medical and legal professions are unfounded.**

- Substance regulation is not impacted by private certification. Doctors would still need a medical license to write prescriptions.
- Private certification would have no bearing on the power of judges to determine who litigates.

Murray Feldstein, MD addresses private certification's potential in medicine.

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The full paper can be found at:

<https://goldwaterinstitute.org/wp-content/uploads/2018/11/Occupational-Licensing-Win-Win-Final.pdf>

or at

<http://www.1889institute.org/licensing.html>.